

Message Text

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ORIGIN NEA-12

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TO AMEMBASSY JIDDA PRIORITY

INFO DA

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DSA/DCAA CAMERON STA VA

UNCLAS STATE 153870

E.O. 11652: N/A

TAGS: MASS, SA

SUBJ: IMPROVED HAWK MISSILE CONTRACT

FOLLOWING IS DRAFT TEXT OF AUDIT SERVICE ARRANGEMENT WITH
DOD DEFENSE CONTRACT AUDIT AGENCY. QUOTE:

PURSUANT TO THE U.S. FOREIGN ASSISTANCE ACT OF 1961, AS
AMENDED, THE GOVERNMENT OF THE UNITED STATES OF AMERICA,
HEREBY OFFERS UPON REQUEST, THROUGH THE DEFENSE CONTRACT
AUDIT AGENCY, TO PROVIDE (BLANK) WITH AUDITING SERVICES
FOR CONTRACTS WHICH HAVE BEEN OR WILL BE PLACED BY (BLANK)
IN THE UNITED STATES OF AMERICA.

A. AUDIT SERVICES TO BE PROVIDED

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1. REQUESTS FOR AUDIT SERVICES WILL INCLUDE
INFORMATION ON THE NATURE AND SCOPE OF THE AUDIT SER-
VICES DESIRED. WHEREVER APPROPRIATE, SUCH REQUESTS WILL
INCLUDE THE ORIGINAL TEXT OF THE CONTRACT OR PROPOSAL WHICH
WILL BE SUBJECT TO AUDIT REVIEW AND WILL INCLUDE ANY
NECESSARY EXPLANATION.

2. AUDIT SERVICES WILL INCLUDE BUT NOT BE LIMITED TO THE FOLLOWING:

A. ANALYSIS OF PROPOSALS SUBMITTED IN SUPPORT OF PRICES TO BE NEGOTIATED ON THE BASIS OF COST ESTIMATES OR FURNISHING INFORMATION ON SPECIFIC COST ELEMENTS REQUESTED BY (BLANK) TO CARRY OUT THE ANALYSIS DIRECTLY.

B. COST AUDITING OF COST REIMBURSEMENT CONTRACTS.

3. A. THE AUDIT SERVICES FURNISHED (BLANK) ON ITS REQUEST WILL BE ESSENTIALLY THE SAME AS THOSE FURNISHED DEPARTMENT OF DEFENSE PURCHASING OFFICERS AND WILL BE CARRIED OUT IN ACCORDANCE WITH PRINCIPLES AND PROCEDURES PRESCRIBED IN APPLICABLE UNITED STATES REGULATIONS.

B. THE (BLANK) WILL INCLUDE OR CAUSE TO BE INCLUDED IN EACH CONTRACT, SUBCONTRACT, INVITATION FOR BID OR REQUEST FOR PROPOSAL WHERE APPLICABLE, PROVISIONS CONTAINED IN ANNEX 1 TO THIS AGREEMENT ENABLING THE DEFENSE CONTRACT AUDIT AGENCY (HEREINAFTER REFERRED TO AS DCAA) TO PERFORM ITS AUDIT SERVICES.

C. WHERE (BLANK) ENTERS INTO A COST REIMBURSEMENT TYPE CONTRACT OR A FIXED PRICE TYPE CONTRACT, (BLANK) WILL, IN MAKING ANY REQUEST FOR AUDIT ASSISTANCE, INFORM A REPRESENTATIVE OF THE DCAA OF ANY UNDERSTANDING WITH THE PRIME CONTRACTOR OR SUBCONTRACTOR THAT CERTAIN KINDS OF COSTS WILL BE TREATED DIFFERENTLY FROM THE TREATMENT PROVIDED IN SECTION XV OF THE ARMED SERVICES PROCUREMENT REGULATION.

4. THE DCAA WILL NOT BECOME INVOLVED IN ANY NEGOTIATIONS BETWEEN (BLANK) AND ITS CONTRACTOR. THE DCAA'S UNCLASSIFIED

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SOLE RESPONSIBILITY IS TO ADVISE (BLANK) OF THE REASONABLENESS OF ANY COSTS OR OF ANY REASON THAT MAY EXIST FOR QUESTIONING OF A COST OR ESTIMATE AND OF THE DCAA'S UNDERSTANDING OF THE PERTINENT FACTS. IT IS UNDERSTOOD THAT AUDIT REPORTS ARE ADVISORY ONLY.

5. IN NO CASE WILL THE DCAA ASSUME RESPONSIBILITY FOR CONTRACTOR PERFORMANCE OR THE TECHNICAL COMPETENCE OR FINANCIAL CAPABILITY OF THE CONTRACTOR FOR PERFORMANCE.

6. THE CONTENTS OF REPORTS PREPARED IN THE PERFORMANCE OF THE AUDIT SERVICES WILL BE DIVULGED ONLY TO THOSE OFFICIALS OF THE RESPECTIVE PARTIES HERETO WHO NEED TO KNOW THE CONTENTS IN ORDER TO ACHIEVE THE OBJECTIVES OF THIS AGREEMENT. SPECIAL CARE WILL BE TAKEN THAT COMPETITORS WILL NOT OBTAIN KNOWLEDGE OF THE CONTENTS OF SUCH REPORTS.

B. REIMBURSEMENT FOR AUDIT SERVICES

(BLANK) WILL REIMBURSE THE DCAA FOR THE COSTS OF PROVIDING AUDIT SERVICES AT RATES THAT ARE CURRENT AT THE TIME THE AUDIT SERVICES ARE PERFORMED. BILLS WILL IDENTIFY THE SPECIFIC REQUEST BEING REVIEWED AND REFLECT THE NUMBER OF AUDIT REVIEW MANHOURS EXPENDED. A BILL WILL BE RENDERED QUARTERLY.

C. EFFECTIVE DATE, AMENDMENTS AND TERMINATION

1. THIS AGREEMENT SHALL BE EFFECTIVE WHEN SIGNED BY DULY AUTHORIZED REPRESENTATIVES OF THE DCAA AND (BLANK).

2. EITHER PARTY MAY SUGGEST AMENDMENTS TO THIS AGREEMENT AT ANY TIME BY FORWARDING A PROPOSED TEXT TO THE OTHER. A PROPOSED AMENDMENT WILL BE EFFECTIVE WHEN ACCEPTED. EITHER PARTY MAY REQUEST A JOINT CONFERENCE IN CONSIDERATION OF ANY PROBLEMS THAT MAY HAVE ARISEN AND THE METHODS, INCLUDING AMENDMENT, NEEDED TO SOLVE THEM.

3. THIS AGREEMENT SHALL CONTINUE IN FORCE UNTIL THE COMPLETION OF THE CONTRACTS WHICH ARE THE SUBJECT OF THIS AGREEMENT OR UNTIL TERMINATED BY MUTUAL AGREEMENT.

PROVISIONS ENABLING PERFORMANCE OF AUDIT SERVICES -
ANNEX I
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I. AUDITING OF ACTUAL OR ANTICIPATED COSTS

WHEN AN ANALYSIS OF COST ESTIMATES IS TO BE REQUESTED IN CONNECTION WITH THE EVALUATION OF A PROPOSAL FOR A NEGOTIATED CONTRACT OR WHEN AN AUDIT OF COSTS IS TO BE REQUESTED FOR A COST-REIMBURSEMENT CONTRACT THE REQUEST FOR PROPOSALS OR CONTRACT SHALL PROVIDE THAT THE ALLOWABILITY OF COSTS WILL BE DETERMINED IN ACCORDANCE WITH SECTION XV OF THE ARMED SERVICES PROCUREMENT REGULATION, EXCEPT FOR COSTS THAT THE CONTRACT OR REQUEST FOR PROPOSALS EXPLICITLY TREATS OTHERWISE.

II. SUBMISSION OF COST OR PRICING DATA

WHEN AN ANALYSIS OF COST ESTIMATES IS TO BE REQUESTED IN CONNECTION WITH THE EVALUATION OF A PROPOSAL FOR A NEGOTIATED CONTRACT THE REQUEST FOR PROPOSALS SHALL REQUIRE THE CONTRACTOR TO SUBMIT FOR AUDIT AND ANALYSIS ACCURATE, COMPLETE AND CURRENT COST AND PRICING DATA INCLUDING ANY BOOKS, RECORDS, DOCUMENTS OR OTHER HISTORICAL ACCOUNTING DATA AND WHERE APPLICABLE ANY OTHER FACTS WHICH MIGHT REASONABLY BE EXPECTED TO AFFECT PRICE NEGOTIATIONS SUCH AS VENDOR QUOTATIONS, NONRECURRING COSTS, CHANGES IN PRODUCTION METHODS AND PRODUCTION OR

PROCUREMENT VOLUME, UNIT COST TRENDS SUCH AS THOSE

ASSOCIATED WITH LABOR EFFICIENCY, AND MAKE-OR-BUY
DECISIONS OR ANY OTHER MANAGEMENT DECISIONS WHICH COULD
REASONABLY BE EXPECTED TO HAVE A SIGNIFICANT BEARING ON
COSTS UNDER THE PROPOSED CONTRACT.

III. MAINTENANCE OF COST RECORDS

WHEN A COST AUDIT IS TO BE REQUESTED FOR A COST-
REIMBURSEMENT CONTRACT, THE CONTRACT SHALL REQUIRE THE
CONTRACTOR TO MAINTAIN BOOKS, RECORDS, DOCUMENTS AND OTHER
EVIDENCE PERTAINING TO THE COSTS AND EXPENSES OF THE
CONTRACT AND ACCOUNTING PROCEDURES AND PRACTICES ADEQUATE
TO REFLECT PROPERLY ALL DIRECT AND INDIRECT COSTS, OF
WHATEVER NATURE, FOR WHICH REIMBURSEMENT IS CLAIMED UNDER
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TAGS: MASS, SA
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